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October 10, 2012

Angel Investor Market in Steady Recovery, UNH Center for Venture Research Finds



Jeffrey Sohl, director of the UNH Center for Venture Research.

DURHAM, N.H. – The angel investor market in the first two quarters of 2012 showed signs of steady recovery since the correction in the second half of 2008 and the first half of 2009, with total investments at \$9.2 billion, an increase of 3.1 percent over the same period in 2011, according to the Center for Venture Research at the University of New Hampshire.

A total of 27,280 entrepreneurial ventures received angel funding during the first half of 2012, a 3.7 percent increase from the same period in 2011, and the number of active investors in Q1 and Q2 2012 was 131,145

individuals, a 5 percent increase from Q1 and Q2 2011. The increase in total dollars and the matching increase in total investments resulted in an average deal size of \$336,390 in the first half of 2012, comparable to the deal size in the same period in 2011 of \$338,400.

“These data indicate that angels remain major players in this investment class and at valuations similar to the first and second quarters of 2011. While the market exhibited a stabilization from the first and second quarters of 2011, when compared to the market correction that occurred in 2008, these data indicate that the angel market has demonstrated a steady recovery since 2008,” said Jeffrey Sohl, director of the UNH Center for Venture Research at the Whittemore School of Business and Economics.

Angels continued their appetite for seed and start-up stage investing, with 40 percent of Q1 and Q2 2012 angel investments in the seed and start-up stage, which is virtually unchanged from the 39 percent in the like period last year. There was, however, a shift to expansion stage financing to 22 percent of investments in Q1 and Q2 2012 from 13 percent in Q1 and Q2 2011, indicating that angels are positioning their investments for exits in the coming year. New, first-sequence investments represent 49 percent of Q1 and Q2 2012 angel activity, unchanged from the same period last year.

“Historically angels have been the major source of seed and start-up capital for entrepreneurs and while this stabilization in seed and start-up investing is an encouraging sign it remains below the pre-2008 peak of 55 percent, signifying that there remains a need for seed and start-up capital for both new venture formation and job creation,” Sohl said.

Healthcare services/medical devices and equipment accounted for the largest share of investments, with 24 percent of total angel investments in Q1 and Q2 2012, followed by software (14 percent), biotech (12 percent), retail (10 percent), IT services (7 percent) and media (6 percent).

"After a favored status in the top six sectors for industrial/energy since 2009, which reflected an interest in clean tech investing, interest in this sector waned in the first and second quarters of 2012. Retail and media have solidified their presence in the top six sectors, mainly due to investing in social networking ventures," Sohl said.

Angel investments continue to be a significant contributor to job growth, with the creation of 106,400 new jobs in the United States in 2012, or 3.9 jobs per angel investment.

The Center for Venture Research has been conducting research on the angel market since 1980. The center's mission is to provide an understanding of the angel market and the critical role of angels in the early stage equity financing of high growth entrepreneurial ventures. Through the tenet of academic research in an applied area of study, the center is dedicated to providing reliable and timely information on the angel market to entrepreneurs, private investors and public policymakers. For more information visit <http://wsbe.unh.edu/cvr> or contact the center at 603-862-3341.

The UNH Whittemore School of Business and Economics offers a full complement of high-quality programs in business, economics, accounting, finance, information systems management, entrepreneurship, marketing, and hospitality management. Programs are offered at the undergraduate, graduate, and executive development levels. The school is accredited by the Association to Advance Collegiate Schools of Business, the premier accrediting agency for business schools worldwide. In January 2013, the business school will move into its new state-of-the-art facility and become the Peter T. Paul College of Business and Economics.

EDITORS AND REPORTERS: Jeffrey Sohl, director of the UNH Center for Venture Research, can be reached at 603-862-3373 and jesohl@christa.unh.edu. The full 2012 Angel Market Analysis for Q1 and Q2, "The Angel Investor Market in Q1Q2 2012: A Market in Steady Recovery," is [available for download](#).

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